STATE OF CONNECTICUT
DEPARTMENT OF SOCIAL SERVICES

SECTION 1115 DEMONSTRATION DRAFT WAIVER APPLICATION TO THE CENTERS FOR MEDICARE & MEDICAID SERVICES

MEDICAID LOW-INCOME ADULT COVERAGE DEMONSTRATION

(Date to be inserted)

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Connecticut Department of Social Services
Section 1115 Demonstration Authority Request for Medicaid Low-Income Adult Coverage Demonstration

A Sustainable Approach to Providing Medicaid Coverage to
Low-Income Adults in the State of Connecticut

I. INTRODUCTION

The State of Connecticut (Connecticut/State) has led the nation in providing coverage to the uninsured. The effort undertaken to serve individuals through the Medicaid for Low-Income Adults (LIA) program effective April 1, 2010 reflects our long commitment to ensuring that our citizens have access to quality health care. While the program has been exceptionally successful in providing coverage, its growth has spurred the need to seek a more targeted program, sustaining services for those with the most significant need and few alternatives for coverage. Connecticut seeks a new 1115 Demonstration Waiver to preserve the State's commitment to sustainable coverage for the low income, adult residents most in need of health care services in preparation for the expansion of Medicaid under the Affordable Care Act (ACA) in 2014. Through this Demonstration, Connecticut expects to provide valuable insight to inform the national dialogue around the Medicaid "newly eligible" population, including the income and assets that may be available to individuals, their use of nursing facility benefits and the extent to which individuals who have the means to obtain private coverage may choose Medicaid coverage instead.

II. BACKGROUND

Connecticut has long demonstrated its commitment to health care coverage for its most vulnerable citizens. For several decades, the State and its municipalities administered a general assistance program to provide medical assistance to low-income uninsured adults. In 1998, the legislature established the State Administered General Assistance (SAGA) program, which transferred all administrative and financial responsibility for the general assistance program to the State. On June 21, 2010 Connecticut became the first State in the nation to gain approval from the federal government to expand Medicaid coverage to an estimated 45,000 individuals under Section 2001 of the ACA. This new Medicaid LIA program included individuals who were previously enrolled in a more limited benefit package under SAGA. The conversion provided long-term care/skilled

nursing facility services and home health care benefits to this population, provided greater access to non-emergency medical transportation and expanded the provider network available to participants. Although income eligibility remained unchanged at 56% of the federal poverty level (FPL) (with an additional 12% income disregard for shelter costs in Region A/Fairfield County), the SAGA asset limit of $1,000 was eliminated to comply with federal requirements. (Note: The FPL limit was updated in 2012 to 55% of the FPL.)

The Medicaid expansion for LIAs has resulted in significant unbudgeted costs and unanticipated enrollment growth. Since the program's expansion, the State has been grappling with the unanticipated consequences of escalating caseloads and the resultant costs. Elimination of the asset test, poor economic conditions, as well as inclusion of populations who did not formerly qualify for SAGA, created an unanticipated level of caseload growth, increasing by 72% from 46,156 clients in June 2010 to 79,295 in June 2012. In State fiscal year (FY) 2011, Connecticut spent $575.6 million; in FY 2009, the year prior to the expansion, expenditures were $265.6 million. This increased caseload created significant State FY 2011 shortfalls in the funding that supports Medicaid LIA services, with shortfalls totaling $160 million. Last year when the FY 2012 and FY 2013 biennial budget was being developed, the projected FY 2011 shortfall (at that time, projected at $139 million), was trended forward into the estimates for FY 2012 and FY 2013. Yet, despite this, the current caseload level of more than 79,000 was not projected to be reached until May 2014. Even with the annualization of prior year shortfalls, the higher caseloads resulted in a shortfall in FY 2012 of over $37 million for the Medicaid LIA program (FY 2012 expenditures totaled $622.3 million). In the last six months, caseload has increased 7% and it is expected to continue to grow in the foreseeable future.

The Connecticut Department of Social Services (DSS) has undertaken major investments in resources to support improvements in care and service delivery for Medicaid populations, including the LIA population. These initiatives are intended to support the transformation of the service delivery system and the data available to participants in that system to continuously drive better performance. At the same time, DSS is pursuing a number of access, quality and cost-containment efforts that are intended to reduce the rate of program growth. Examples of these initiatives include:

- The establishment of a single statewide medical administrative services organization (ASO) to undertake customer service, utilization management, intensive care management and quality management for LIA and other medical assistance populations. There will be a special focus on health-risk stratification and health data analytics to improve population health management and

support targeted intensive care management. Other data analytics will support provider profiling and pay for performance initiatives;

- The Connecticut Person-Centered Medical Home (PCMH) initiative supported by the contracted medical ASO with performance measures and incentives; and
- The Connecticut Behavioral Health Partnership (BHP), a joint initiative with the Departments of Mental Health and Addiction Services and Children and Families to establish an integrated system for the management of behavioral health services for Medicaid, including Medicaid LIA, members.

Despite these efforts, given current budgetary conditions, Connecticut estimates that caseload growth in the Medicaid LIA program has created an expansion program that has become financially unsustainable through the end of 2013 when 100% federal funding is expected to be available to cover the costs of these individuals in 2014.

III. DEMONSTRATION PROPOSAL: DESCRIPTION, GOALS AND OBJECTIVES

With nearly 80,000 Connecticut residents receiving medical assistance under Medicaid LIA, the State cannot keep up with the expenditure demands of such program growth and still preserve coverage for those most in need. To date, such program growth is well beyond the level that had been budgeted and, in the absence of such changes, will jeopardize the State's ability to provide coverage to its most needy citizens. Effective October 1, 2012 through December 31, 2013, or whenever coverage becomes available to Demonstration participants as "newly eligibles" under ACA, Connecticut proposes to implement a new coverage group under Section 1115 Demonstration Authority that will replace the current State plan Medicaid LIA coverage group authorized under Section 1902(k)(2) of the Social Security Act and provide coverage to a more targeted population.

As part of the Governor's and Legislature's commitment to serving the State's citizens, good public policy requires that they encourage those who have access and can afford private coverage to utilize that coverage and preserve scarce State financial resources for individuals who could not otherwise pay for their coverage. Connecticut is concerned that, as individuals and families have become more aware of LIA coverage and eligibility rules, individuals who may have the financial means to purchase private coverage or coverage through the Charter Oak Health Plan, are enrolling in no-cost LIA coverage. This is of particular concern with respect to young adult enrollment in LIA. As of December 2011, LIA expenditures for those under the age of 21 have grown to 4.3% of total expenditures with expenditures in the first six months of FY 2012 totaling $12.5 million. (These are new expenditures under LIA as individuals were only eligible for the SAGA program if they were 21 years of age or older.) The caseload for this age group has

increased from 0.1% in June 2010 to 8.2% of the total caseload (or 6,114 cases) in December 2011 and is expected to continue to climb as more parents with college-age children become aware of the availability of LIA coverage.

This Demonstration proposal seeks to test whether the elimination of the Medicaid asset test for the "early expansion" and, in 2014, the "newly eligible" population has created an unintended incentive for individuals and for families with dependents under age 26 to forgo private coverage and seek coverage under Medicaid as an alternative to private insurance options, including parental coverage available to dependents under age 26 under ACA. This Demonstration proposal reflects the State's position that limited financial resources should be preserved for the State's most needy citizens. Families who can cover dependent children, including young adult children, on their private insurance should do so. Individuals and households with financial resources that allow them to reasonably purchase private insurance should not be receiving publicly subsidized medical assistance. **Furthermore, Connecticut has the opportunity through this Demonstration to gain a richer understanding of the specific cost, benefit design and access barriers that are present in private coverage which may have encouraged families to forgo such private coverage and seek out Medicaid LIA coverage.** This will allow the State to make informed policy decisions as it approaches Medicaid and private insurance reforms as part of the ACA. **Finally, Connecticut intends to use the Demonstration experience to explore the characteristics of the LIA population in nursing facilities in comparison to individuals receiving coverage through the Medicaid program for aged, blind and disabled (ABD).** The Demonstration will allow Connecticut to explore whether the lack of an asset test for LIA may allow assets to be "out of reach" from Medicaid ABD policies and reduce efforts to pursue disability determinations as a pathway for Medicaid LTC coverage

To this end, under the Demonstration, Connecticut is proposing to:

- Institute an asset (resource) test on all participants. The DSS will implement a $10,000 asset test (excluding home property and one motor vehicle) on current LIA participants, as well as all new applicants;
- Count parental income and assets for individuals under age 26 who either live with a parent or are claimed as a dependent on a parent's income tax return; and
- Limit the nursing facility benefit to 90 days per admission subject to additional evaluation of this benefit change by DSS. (Depending on the outcome of that evaluation, LIA clients that meet the eligibility requirements for regular ABD Medicaid would be transitioned to the ABD program and subject to the Medicaid asset/resource rules under that program.)

The goals of this Demonstration are:

- Preservation of Connecticut's commitment to coverage for the most needy low income, adult residents in need of health care services in preparation for the expansion of Medicaid under ACA in 2014;
- Continued reliable access to affordable, quality health care services for Connecticut's most needy citizens;
- Coordination of health care services for Demonstration participants through the implementation of PCMH;
- Gaining depth and breadth in understanding as to what barriers exist today for families who have private coverage available;
- Providing early learning about Medicaid "newly eligibles" who may utilize nursing facility services and the implications for disability determinations and Medicaid ABD policies; and
- Manageable program growth and expenses through 2013.

These components are all linked in mission – to preserve Connecticut's commitment to providing quality health care coverage to the State's most vulnerable LIAs in a manner that is financially sustainable.

IV. DEMONSTRATION ELIGIBILITY

Under the Demonstration, an individual will be eligible for coverage if he or she meets the following eligibility requirements currently in place under the approved Medicaid State plan coverage group for LIA:

- Individuals ages 19 through 64;
- Not pregnant;
- Ineligible for coverage under Medicare or the Children's Health Insurance Program (CHIP);
- Residents of Connecticut;
- US citizens or eligible non-citizens; and
- Not described in 1902(a)(10)(A)(i)(I) through 1902(a)(10)(A)(i)(VII) of the Social Security Act.

Under the Demonstration, Connecticut intends to institute an asset test. While there has been no asset test for LIA clients since the State converted its SAGA program to the Medicaid State plan coverage group for LIA in April 2010, the proposed asset limit of $10,000 (excluding home property and one motor vehicle) will be higher than the

$1,000 asset limit previously in place under SAGA. Targeting resources towards the State's neediest populations and encouraging private coverage or Charter Oak coverage for those with greater financial means will contribute toward the financial sustainability of the program between the time when the Demonstration is approved and 2014 when LIA participants are expected to be covered under the Medicaid expansion authorized under ACA.

Connecticut also intends to count parental income for those individuals ages 19 through 25 who are living with a parent or are claimed as a dependent on a parent's tax return. Although ACA provided parents the opportunity to cover children under their health insurance up to age 26, due to the difficult economy, Connecticut is concerned that more families are shifting coverage for their children to LIA because family income and assets are not counted.

Connecticut does not intend to implement additional changes to eligibility criteria for LIA clients under the Demonstration. Income eligibility under the Demonstration will continue to be set at or below 55% of the FPL and, except as noted above, the methodology for determining this income will continue as is currently established for LIA in the Medicaid State plan and described in Attachment A. Except as noted below with respect to self-attestations and verifications at redeterminations for the current LIA participants transitioning to eligibility under the Demonstration, individuals will apply for eligibility under LIA much as they do today under the existing Medicaid program. New applicants must, however, apply for Medicaid LIA directly with DSS using the application forms used for the ABD Medicaid populations and will no longer be able to apply with the DSS enrollment broker using the HUSKY/Charter Oak application form.

Transition from Medicaid LIA to the Demonstration

All Demonstration participants will be reviewed under the new Demonstration eligibility criteria. For the purpose of this section, October 1, 2012 is assumed to be the Demonstration approval date. If approval of the Demonstration occurs at a later date, the dates below will be adjusted accordingly. Connecticut intends to implement this transition as follows:

New Applicants

Beginning October 1, 2012 (or immediately upon approval of the Demonstration, if later) all new applications will be reviewed under the Demonstration eligibility criteria. Once the Demonstration is approved, DSS will notify the public about the changes to the LIA program and request information on applicants' assets and parental income/assets (if applicable). New applicants must provide income and asset information, including

parental income and asset information (if applicable), in order to be determined eligible for the Demonstration.

LIA Applications in Process

LIA applicants who have pending applications as of October 1, 2012, will be asked to provide verification of their assets and parental income and assets (if applicable). DSS will notify applicants of the changes to Medicaid LIA under the Demonstration and request that individuals submit this information to DSS in order to finalize the application. DSS will also assist in finding alternatives for insurance coverage so as to ensure as little client disruption as possible.

Current Medicaid LIA Participants

DSS will not apply the changes sought through the Demonstration to current LIA participants until the Demonstration is approved. Upon approval of the Demonstration, current participants will be afforded an opportunity to demonstrate continued eligibility under the Demonstration based on self-declaration of income and assets or verification of income and assets if DSS is conducting a redetermination of eligibility.

The following describes the steps and timeline for DSS to transition current Medicaid LIA participants to the Demonstration, if eligible. As noted earlier, the timeline is predicated upon federal approval of the Demonstration by October 1, 2012. If approval is delayed past this date, the dates will be adjusted accordingly:

- Beginning in October 2012, LIA participants who are currently undergoing a redetermination of eligibility, as well as participants who are due to be redetermined before January 2013, will be asked to provide verification of their assets and parental income and assets (if applicable). Additionally in October, current LIA participants who are not due for a redetermination before January 2013 will be mailed information outlining the proposed eligibility and benefit changes and a self-attestation form.

- The deadline for completion and return of the self-attestation form or redetermination verifications to the State's contractor will be October 31, 2012. The contractor will track the clients who were mailed the information, those who returned the self-attestation form or redetermination verifications and those who did not return the self-attestation form or redetermination verifications. During November, the contractor will attempt to contact LIA participants who did not return the self-attestation or redetermination verifications, urge them to do so or apply for the Charter Oak Health Plan if ineligible.

- The contractor will refer all self-attestation forms or redetermination verifications to DSS. If DSS determines a client to be ineligible based on the income and asset information provided by the client, DSS will provide notice to the client. The contractor will notify ineligible clients of the availability of coverage through the State's Charter Oak Health Plan.

- Clients who meet the new program requirements based on self-attestation or redetermination verifications will remain eligible for coverage under the Medicaid LIA program. Clients who remain eligible based on their self-attestation will, however, be required to verify that they meet the new eligibility requirements at the time of their next scheduled redetermination.

- As noted above, for Medicaid LIA recipients that do not return the self-attestation form or redetermination verifications by October 31, 2012, a second attempt will be made by the contractor to contact these clients by mail and/or phone. Upon contact, the changes to the Medicaid LIA program and the need to provide the self-attestation form or redetermination verifications will be reiterated to the clients. It will also be explained that failure to return the form will result in loss of benefits. Clients will be given until November 15, 2012 to return the form to the contractor.

- The contractor will provide DSS with a list of clients who have not responded by November 15, 2012. DSS will discontinue Medicaid LIA assistance for these clients effective December 31, 2012 (assuming October 1, 2012 federal approval). These clients will be able to request hearings to contest the termination of benefits. For those clients who file a timely hearing request, DSS will maintain medical benefits pending the outcome of the hearing.

Again, DSS will not take any action on applications or redeterminations unless and until the Demonstration application receives approval from the Centers for Medicare & Medicaid Services' (CMS).

V. DEMONSTRATION BENEFITS

Connecticut currently provides the approved Medicaid State plan benefit package to the LIA population. Under the Demonstration, Connecticut will continue to provide the State plan benefit package to the LIA population, but the State is proposing to further evaluate the feasibility and cost effectiveness of limiting the nursing facility benefit to 90 days per admission.

This benefit limit is being considered to introduce a level of parity between regular Medicaid and LIA. Under the current State plan benefit package for LIA participants,

individuals have access to long term nursing facility benefits without having to spend-down assets to levels necessary for eligibility for Medicaid ABD. During the public comment period, DSS received several valuable comments on this proposal, including operational and policy challenges. DSS recognizes the need for further evaluation of this proposal before a final determination is made to modify the Demonstration benefit package.

Enrollment in the Demonstration benefit package will be mandatory for all Demonstration participants.

Cost-sharing

There will not be cost-sharing requirement under the Demonstration for LIA participants.

VI. DEMONSTRATION DELIVERY SYSTEM

Medicaid LIA Demonstration participants will receive services through the existing Medicaid delivery system and provider network at the Medicaid State plan reimbursement rates, as they do today under the State plan coverage group. There will be no difference in the delivery system. Demonstration participants will be included in the new initiatives that are being introduced in Connecticut's Medicaid program, including the new PCMH initiative, the Connecticut BHP and the medical ASO initiative to manage medical benefits. These initiatives do not require additional federal authorities or waivers for Medicaid State plan populations, therefore Connecticut does not anticipate the need for additional authority under this Demonstration for those initiatives.

VII. ESTIMATED IMPACT ON EXPENDITURES AND ENROLLMENT

DSS estimates that 13,381 members will lose eligibility over the proposed Demonstration period through December 31, 2013 as a result of the newly proposed eligibility criteria. In addition, the prospective LIA enrollment growth is expected to slow, as compared to the historical enrollment growth, once the Demonstration eligibility criteria go into effect for new applicants. The estimated medical expenditure savings attributable to the newly proposed eligibility criteria is $48.1 million through June 30, 2013, and $100.3 million for the entire proposed 15-month period ending December 31, 2013.

The estimated impact on expenditures and enrollment are developed specifically for the purposes of this Waiver application and should not be utilized for any other purpose. These estimates are highly dependent upon assumptions utilized in the analysis

including the assumed approval and effective implementation dates, medical trend estimates, and eligibility assumptions.

VIII. DEMONSTRATION HYPOTHESIS AND EVALUATION PARAMETERS

DSS proposes to use the Demonstration experience to research and evaluate the following:

(1) Has the removal of the asset test for the "early expansion" and, in 2014, the "newly eligible" populations created an unintended incentive for individuals and for families with dependents under age 26 to forgo private coverage or other types of coverage such as Charter Oak, and seek coverage under Medicaid as an alternative to continued parental coverage available under ACA or other private insurance options?

As noted earlier, Connecticut believes that individuals and families with college-age children are shifting coverage from private coverage to Medicaid LIA because there is no asset test and family income and assets are not counted under current rules. Qualitative and quantitative data revealed from this Demonstration will be critical for the State as it continues to implement ACA reforms for Medicaid, the Exchange and the private insurance market as a whole.

Hypothesis: Individuals and families with dependents under age 26 are forgoing private or Charter Oak coverage for no-cost Medicaid LIA coverage, in part, due to the lack of asset or parental income/asset test in LIA.

a. DSS will monitor and report on the enrollment trend rate of Demonstration enrollees under age 26 and under age 21 as compared to the same rate experienced in the State plan Medicaid LIA population.

- Data Source: Medicaid LIA enrollment data pre-and post-Demonstration approval.

b. DSS will review and report on the level of reported individual assets and parental income and assets of Medicaid LIA enrollees who apply and are redetermined eligible under the Demonstration eligibility criteria, as well as those individuals who choose not to apply or have their eligibility redetermined.

- Data Source: Self-reported income and assets and family income/assets from individuals upon approval of the Demonstration and upon eligibility redetermination; Survey of State plan Medicaid LIA enrollees who do not apply under the Demonstration or do not have their eligibility redetermined.

c. DSS will evaluate the level of individual or family/dependent access to private or Charter Oak coverage reported by Medicaid LIA applicants and enrollees and any barriers to accessing such coverage.

- Data Source: DSS survey of current and former Medicaid LIA enrollees, including individuals who fail to reapply or qualify under the new Demonstration criteria.

(2) Does the availability of Medicaid coverage for the "newly eligible" population that includes a nursing facility benefit but requires no asset test, reduce the number of people who would otherwise come in to Medicaid as a result of a disability determination and put "out of reach" potentially higher assets? To what extent do LIA participants residing in nursing facilities resemble a Medicaid ABD enrollee except for their level of assets?

Hypothesis: The lack of a Medicaid asset test for the LIA population is allowing individuals with higher assets to receive long-term care in nursing facilities without going through a disability determination and permitting assets to remain "out of reach" to Medicaid.

a. DSS will collect and report asset information on LIA enrollees receiving nursing facility services.

- Data source: Asset information reported during the LIA eligibility determinations and redeterminations.

b. DSS will interview a sample of the LIA Demonstration participants in LTC to determine whether or not these individuals would likely qualify under Medicaid ABD rules.

- Data source: Interview questionnaire (to be developed)

DSS also proposes to use the Demonstration experience to identify trends in beneficiary needs for Medicaid LIA enrollees under the Demonstration to aid in preparation for coverage expansions pursuant to the "newly eligible" coverage expansion in 2014 under the ACA. DSS will develop measures and reports to be generated by the ASO specific to the LIA population that may also be used to compare other Medicaid populations. Examples include: mental health utilization, readmission rates/reasons, access to preventative care/services, and ED visits. DSS will evaluate the Demonstration cost and utilization experience in order to better understand the cost and utilization patterns of the Medicaid expansion population in 2014 as compared to those of current Medicaid

State plan populations.

IX. PUBLIC INPUT PROCESS

Connecticut has conducted an open and transparent public input process on the proposed changes to the LIA program that began back in 2011 when the State began to realize the unsustainable fiscal growth of the LIA population and released a Concept Paper on the Demonstration proposal. The following summarizes the formal process for State public input that Connecticut has conducted in preparation for submission of this application to CMS and in compliance with the State public notice requirements for Section 1115 Demonstration Waivers at 42 CFR 431.408. Written documentation of the State's compliance with these requirements can be found in Attachment B of this application.

- DSS notified the State's two Tribal leaders of the proposed Demonstration (June 12, 2012);
- DSS issued a public notice of the State's intent to apply for the Section 1115 Demonstration application in five newspapers, including the two major newspapers with the widest circulation (June 13, 2012);
- DSS posted a link to the draft application on the main page of the DSS website for the public's review and comment and established a dedicated email address for comments to be submitted (June 12, 2012);
- DSS notified major stakeholder groups in Connecticut through an electronic mailing list (June 15 and 18, 2012);
- DSS held two public hearings in geographically distinct areas of the State: Hartford (June 26, 2012) and New Haven (June 28, 2012). Members of the public attended and provided comments on the application;
- DSS posted public notice of the proposed Demonstration in the Connecticut Law Journal (July 3, 2012); and
- The draft application was reviewed before the legislative Committees of Cognizance as required by State law (July 24, 2012).

Not unexpectedly, public comment on the proposed application has largely focused on the concern around the loss of existing or potential coverage under LIA. However, in these times of very limited State financial resources, DSS must prioritize coverage of its neediest citizens in order to maintain a sustainable program and encourage the use of private or other coverage such as Charter Oak for those who are more likely to be able to afford it.

DSS appreciates the interest of individuals and organizations from across the State on the proposed Demonstration. DSS values this public input and has developed responses

to each of these general areas. DSS will post these responses on the DSS website as part of the State's goal of transparency for this Waiver submission.

The following represents a summary of the public comments submitted through public testimony. The submitted comments generally fell into one of the following areas and we describe below how DSS considered these comments in this Demonstration application to CMS:

1. **Impact of the Demonstration eligibility criteria on the current LIA population and other low-income populations.**

   Many commenters expressed concern that the proposed changes to establish asset limits and take into account parental income and assets for dependents under age 26 will have a negative impact on individuals, including individuals who may not have alternative options for coverage. Commenters expressed the opinion that requiring income and assets of parents of LIA participants may cause some to avoid medical care and should not be counted for this population. One commenter responded that requiring a means test will create a new pool of uninsured State residents and create major health access and financial barriers for thousands. Additional commenters expressed the opinion that it does not make sense to implement this proposal with the looming Medicaid expansion scheduled for 2014.

   DSS acknowledges that some individuals will lose coverage under this Demonstration proposal. However, DSS believes the Waiver proposal is consistent with the original goal of expanding Medicaid coverage for the poorest adults and was never intended to provide coverage to individuals who might otherwise have the means to afford private or Charter Oak coverage. The proposed eligibility changes are modest in comparison to other options that are available to the State in order to live within State budgetary constraints and targets coverage to those who need it most. The State anticipates that a majority of the current LIA enrollees will continue to receive benefits as they do today. DSS also anticipates that others may qualify for other programs (i.e., the Charter Oak Health Plan or be categorically eligible for a long-term care coverage group under Medicaid and be more appropriately covered by such group) or private coverage. The State will assist members with pursuing alternative coverage options for their health care needs if necessary. Depending on the members' health care needs and financial situation, alternative coverage is available.

2. **Demonstration impact on DSS workload and application backlog**.

DSS received several comments that the Demonstration will have an additional negative impact on the workload of State staff and on the current processing of Medicaid eligibility determinations and redeterminations. Commenters expressed concern that processing delays will result in Medicaid and LIA participants losing coverage unnecessarily. Commenters cited the current challenges and deficiencies in the current application process and expressed concern that the eligibility changes proposed under LIA will exacerbate these problems and are not worth the consequences.

DSS will implement the 1115 LIA Waiver in a manner that will minimize its impact on our processing of applications and redeterminations for other programs. We will allow most current LIA participants to initially self-attest their assets and if appropriate, their parental income and assets, to determine their continued eligibility. Verifications will only be requested at time of application and redetermination. The Department plans to use a contractor to provide assistance with obtaining the information needed to establish continued eligibility.

DSS is also taking other measures to improve the timely processing of applications and redeterminations. The Department has hired additional staff to assist with the processing of Medicaid cases. Additionally, a directive has been issued to Regional managers to designate specific staff to immediately initiate redeterminations upon receipt. This should prevent the closure of most cases for failure to complete a redetermination.

3. DSS notices to LIA participants and applicants.

Several commenters were concerned with DSS' initial notification letter to LIA enrollees of the potential changes to LIA, pending approval by the federal government. Commenters expressed concern that these notices have caused confusion and concern and should not have been sent prior to federal approval of the application. The intent of these early notices was to give clients as much advance notice of the savings and intent of the budget as passed by the legislature in order to help clients prepare and plan for potential changes and support timely implementation of the Waiver upon approval by the federal government. However, in response to commenters' concerns and feedback from the federal government, DSS has revised its plans and will not send any additional client communications on this issue until the Demonstration request has been approved.

4. Section 1115 Demonstration Authority

DSS received comments that the Waiver does not meet the requirements for an 1115 Demonstration Waiver. Commenters also shared concerns that the sole purpose of the Waiver was to save the State money. While the determination of whether or not an application meets the requirements for an 1115 Demonstration is a determination for the federal government to make, DSS believes that an experimental Demonstration to test the ability of the State to expand coverage to low-income populations in a financially sustainable manner does promote the objectives of the Medicaid statute. Further, Connecticut intends to research and evaluate two important assumptions about the Medicaid "newly eligible" population that will benefit the learning of both the State and federal government: (1) That the treatment of income and assets under LIA may have provided an inadvertent incentive for individuals to forgo private coverage and (2) Individuals who will enroll in Medicaid as "newly eligible" will utilize long-term nursing facility benefits but have assets that they would be required to "spend-down" if qualified under Medicaid ABD rules. As described in the Waiver application, manageable program growth and expenses is but one of the goals of the Demonstration. Continuing coverage to the neediest citizens who may have no other options for coverage is the State's highest priority with the Demonstration.

5. Nursing facility benefit limitation

Several commenters expressed concern with the 90-day nursing facility benefit limitation for LIA enrollees and the process for finding alternative coverage, including other Medicaid coverage, notification of changes and the transition process for those losing coverage under the proposed Waiver. DSS appreciates these comments and recognizes the need for further evaluation of this proposal before a final decision can be made to implement this benefit change.

6. Adequacy of data supporting waiver estimates

DSS received comments and questions regarding the underlying data the State used to support the Demonstration proposal. Commenters inquired about data, including but not limited to estimates of the number of participants with assets over $10,000, the number of dependents under age 26 with parental support, the availability and affordability of private coverage for dependents under age 26, costs and utilization patterns of current LIA enrollees, and data in support of

savings. The budget neutrality waiver estimates were developed utilizing a combination of actual program data, and where actual information is unavailable, assumptions were made. The cost and caseload estimates for the budget neutrality analysis are based on actual LIA claims and enrollment data. As certain financial information is not collected during the application process for LIA members, asset information and tax information are not available specific to this population. Therefore reasonable assumptions are utilized when modeling the impact of these changes in the eligibility criteria. The comments and questions related to the data and assumptions are more specific and targeted. Therefore more detailed responses to each of these questions will be found on the DSS website when individual responses are posted.

7. Impact on FQHCs and Hospitals

Some comments from FQHCs and hospitals expressed concern about the impact this Demonstration may have on the number of uninsured, application workload, the PCMH initiative and the expected loss of revenue due to lower numbers of Medicaid enrollees.

DSS anticipates that there will be minimal impact on hospitals and FQHCs. It is the DSS's expectation that most individuals who lose coverage under the new eligibility rules will seek other coverage. DSS will encourage and support clients' efforts to obtain and transition to other types of care including Charter Oak and other private health coverage. This should help ensure continuity of care and services for clients and minimize the risk of uncompensated care rendered by providers.

8. DSS assumptions about asset information

Some commenters expressed concern that DSS's position that individuals and families with dependents under age 26 may have access to parental coverage or otherwise be able to afford coverage was unfounded. DSS acknowledges that, in the absence of the Demonstration, we have been unable to collect this information from current LIA enrollees. DSS intends to use the Demonstration to test and evaluate this theory.

X. WAIVER AND EXPENDITURE AUTHORITIES REQUESTED

Connecticut requests expenditure authority under Section 1115(a)(2) for expenditures for health care-related costs for non-pregnant adults ages 19 through 64 who are not

otherwise eligible under Medicare or CHIP, not described in 1902(a)(10)(A)(i)(I) through 1902(a)(10)(A)(i)(VII) of the Social Security Act, are residents of Connecticut, are citizens or eligible aliens, have limited assets and who have income at or below 55% of the FPL in accordance with Attachment A and the changes proposed under this Demonstration, including parental income and assets for individuals under age 26 who live with a parent or are claimed as a dependent on a parent's federal income tax return.

XI. BUDGET NEUTRALITY

This section presents Connecticut's approach for illustrating budget neutrality, including the data and assumptions used in the development of the cost and caseload estimates supporting this 1115 Waiver request.

Overview

Connecticut is requesting that the Demonstration begin on October 1, 2012 and end on December 31, 2013, or at the time in which the Medicaid "newly eligible" expansion to 133% of the FPL is put in place. Since this population is expected to be included as a part of the Medicaid expansion initiative effective January 1, 2014 under the ACA, this Demonstration is illustrated through December 31, 2013. The proposed Demonstration period is split into one 3-month period and one 12-month period as illustrated in the table below:

Table 9.1 Proposed Demonstration Years (DYs)

Demonstration Year	DY1	DY2
Time Period	10/01/2012 – 12/31/2012	01/01/2013 – 12/31/2013

Historical Cost and Caseload for the Medicaid LIA Demonstration Population

The Medicaid LIA program was approved with an effective date of April 1, 2010 and, therefore, data was available from April 2010 through June 2012 to support the development of the cost and caseload projections. The most recent data in 2012 was incomplete and was used only for limited trend analysis. Calendar year (CY) 2011 was chosen as the base year for developing the cost and caseload projections. The following tables (9.2a and 9.2b) present historical program expenditures and caseload from April 1, 2010 through December 31, 2011.

Table 9.2a Historical Data – Total Computable

	April 1, 2010 – December 31, 2010	**January 1, 2011 – December 31, 2011**	**21-Month Total**
Medicaid LIA			

	April 1, 2010 – December 31, 2010	January 1, 2011 – December 31, 2011	21-Month Total
Eligible Member Months	463,110	840,514	1,303,624
Total Cost per Eligible	$758.86	$724.84	
Total Expenditures	$351,434,364	$609,235, 998	$960,670,362

Trend Rates	
Eligible Member Months	97.6%
Total Cost per Eligible	-5.1%
Total Expenditures	87.5%

Note:

1. Trend rates have been annualized.

Table 9.2b Historical Data – Federal Share

	April 1, 2010 – December 31, 2010	January 1, 2011 – December 31, 2011	21-Month Total
Medicaid LIA			
Eligible Member Months	463,110	840,514	1,303,624
Total Cost per Eligible	$455.29	$399.44	
Total Expenditures	$210,848,904	$335,734,727	$546,583,632

Trend Rates	
Eligible Member Months	97.6%
Total Cost per Eligible	-13.9%
Total Expenditures	70.2%

Note:

1. Trend rates have been annualized.

Budget Neutrality Approach

The State proposes that the budget neutrality limit for Federal Title XIX funding be determined using a per capita cost method. The risk for the per capita cost would be applicable to the Medicaid eligibles in the Demonstration eligibility group, but the State would not be at risk for conditions (economic or other) that may impact caseload levels in the eligibility group for the Demonstration period.

Demonstration Eligibility Group

DSS is proposing a single Demonstration eligibility group comprised of all Demonstration enrollees to be subject to a per capita cost limit, as identified in Table 9.3 below. DSS requests that these Demonstration enrollees be treated as a "hypothetical" eligibility group for the purpose of budget neutrality.

Table 9.3 Demonstration Eligibility Group

Demonstration Eligibility Group	Description	Waiver Population Type
Medicaid LIA	Populations include: • Individuals ages 19 through 64 • Not pregnant • Ineligible for coverage under Medicare or CHIP • Residents of Connecticut • US citizens or eligible non-citizens; and • Not described in 1902(a)(10)(A)(i)(I) through 1902(a)(10)(A)(i)(VII) of the Social Security Act	Medicaid State Plan

Without Waiver Cost Estimates

The historical trend for the Medicaid LIA eligibility group and the President's budget per capita trend rates were reviewed. For the Demonstration projection years, the State utilized the President's budget per capita trend rates to develop the Without Waiver cost estimates.

The historical cost per eligible trend illustrated in Table 9.2a is not indicative of the assumed trends for the Demonstration periods. Two factors contributed to the observed negative per capita trends in the historical period. First, new members enrolled rapidly into the program, primarily from the ranks of the uninsured population. Second, the LIA program observed a significant increase in members under the age of 26. This age group has a much lower PMPM cost compared to the remaining LIA population. The new members, especially those under age 26, exhibited a large pent-up demand effect, reflecting higher than average acuity. This inflated costs during the early periods of the LIA program. The rapid increase in the under age 26 group coupled with their significantly decreasing costs (almost -25% annualized trend during the historical period) resulted in decreases to the observed PMPM costs in the historical data. These factors are not expected to continue in the Demonstration Years. The State utilized its own caseload estimates to project future enrollment projections for the Without Waiver estimates.

With Waiver Cost Projections

As DSS is requesting that the Demonstration enrollees are treated as a "hypothetical" eligibility group for the purpose of budget neutrality, the With Waiver cost and caseload estimates are the same as those utilized in the Without Waiver cost and caseload

estimates described in the section above.

Table 9.4 summarizes the average medical trend rates from the President's budget for the eligibility group during the Demonstration Periods.

Table 9.4 Without and With Waiver Annual Medical Cost Trend

Demonstration Period	Base Period to DY1	DY1 to DY2
Adults	6.53%	6.53%

ACA Considerations

The estimated impact of increased reimbursement for primary care physicians (PCPs) at 100% of Medicare for CY 2013 is not included in the With or Without Waiver projections. Connecticut will update budget neutrality as necessary once CMS issues final regulations and guidance.

The following tables (9.5a through 9.5d) summarize the trend rate and overall cost and caseload for the Demonstration population for both DY1 and DY2.

Table 9.5a Without Waiver – Total Computable

Eligibility Group	Trend Rate 1	Months Of Aging	Base Year DY0	Trend Rate 2	DY1	DY2	Total Without Waiver
			10/01/11 – 09/30/12		10/01/12 – 12/31/12	01/01/13 – 12/31/13	
MLIA							
Eligible Member Months					237,979	826,934	1,064,913
Total Cost per Eligible	6.53%	9.00	$760.03	6.53%	$790.66	$822.53	
Total Expenditure					$188,161,301	$680,177,244	$868,338,545

Note:

1. "Base Year" is the year immediately prior to the planned first year of the Demonstration.
2. "Trend Rate 1" is the trend rate that projects from the last historical year to the Base Year.
3. "Months of Aging" equals the number of months of trend factor needed to trend from the last historical year to the Base Year. If the Base Year is the year

immediately following the last historical year, “Months of Aging" will be 12.
4. "Trend Rate 2" is the trend rate that projects all DYs, starting from the Base Year.
5. Demonstration Year cost per eligible figures are not adjusted for proposed changes to the nursing facility benefit limit that will be further evaluated by DSS.

Table 9.5b Without Waiver – Federal Share

Eligibility Group	Trend Rate1	Months Of Aging	Base Year DY0	Trend Rate 2	DY1	DY2	Total Without Waiver
			10/01/11 – 09/30/12		10/01/12 – 12/31/12	01/01/13 – 12/31/13	
MLIA							
Eligible Member Months					237,979	826,934	1,064,913
Total Cost per Eligible	6.53%	9.00	$380.02	6.53%	$395.33	$411.26	
Total Expenditure					$94,080,651	$340,088,622	$434,169,273

Note:
1. Assumes FMAP of 50.00% for the Demonstration period.
2. Demonstration Year cost per eligible figures are not adjusted for proposed changes to the nursing facility benefit limit that will be further evaluated by DSS.

Table 9.5c With Waiver – Total Computable

Eligibility Group	Base Year DY0	Demo Trend Rate	DY1	DY2	Total With Waiver
	10/01/11 – 09/30/12		10/01/12 – 12/31/12	01/01/13 – 12/31/13	
MLIA					
Eligible Member Months			237,979	826,934	1,064,913
Total Cost per Eligible	$760.03	6.53%	$790.66	$822.53	
Total Expenditure			$188,161,301	$680,177,244	$868,338,545

Note:
1. Demonstration Year cost per eligible figures are not adjusted for proposed changes

to the nursing facility benefit limit that will be further evaluated by DSS.

Table 9.5d With Waiver – Federal Share

Eligibility Group	Base Year DY0	Demo Trend Rate	DY1	DY2	Total With Waiver
	10/01/11 – 09/30/12		10/01/12 – 12/31/12	01/01/13 – 12/31/13	
MLIA					
Eligible Member Months			237,979	826,934	1,064,913
Total Cost per Eligible	$380.02	6.53%	$395.33	$411.26	
Total Expenditure			$94,080,651	$340,088,622	$434,169,273

Note:

1. Assumes FMAP of 50.00% for the Demonstration period
2. Demonstration Year cost per eligible figures are not adjusted for proposed changes to the nursing facility benefit limit that will be further evaluated by DSS.

Summary of Budget Neutrality

The following tables (9.6a and 9.6b) summarize the total federal share Without and With Waiver estimated expenditures over the Demonstration period.

Table 9.6a Summary of Without Waiver and With Waiver Projected Medicaid Expenditures – Total Computable*

Without Waiver	With Waiver	Variance
$868,338,545	$868,338,545	$0

** All estimates are based upon the information available at a point in time, and are subject to unforeseen and random events. Therefore, any projection must be interpreted as having a likely range of variability from the estimate. Any estimate or projection may not be used or relied upon by any other party or for any other purpose than for which it was issued by Mercer. Mercer is not responsible for the consequences of any unauthorized use.*

Table 9.6b Summary of Without Waiver and With Waiver Projected Medicaid Expenditures – Federal Share*

Without Waiver	With Waiver	Variance
$434,169,273	$434,169,273	$0

** All estimates are based upon the information available at a point in time, and are subject to unforeseen and random events. Therefore, any projection must be interpreted as having a likely range of variability from the estimate. Any estimate or projection may not be used or relied upon by any other party or for any other purpose than for which it was issued by Mercer. Mercer is not responsible for the consequences of any unauthorized use.*

Attachment A

OFFICIAL

Revision:

ATTACHMENT 2.2-A
Page 9b4

State: CONNECTICUT

Agency*	Citation(s)	Groups Covered

A. Mandatory Coverage – Categorically Needy and Other Required Special Groups (Continued)

In determining whether an individual's income is at or below the State's income standard for this group, the State will use the following methodology:

___ The income rules of the SSI program.

___ The income rules of the SSI program, and the following less restrictive income disregards and exclusions than are used by SSI.

_X_ A methodology based on rules other than those of the SSI program. The methodology the State will use is described below.

Disregard an additional 12% of FPL as a high shelter deduction for individuals in Region A as described in Supplement 1 to Attachment 2.6-A.

Disregard $150 of monthly earned income.

Disregard all income for the three month period that begins with the first month that the individual would otherwise become ineligible solely due to an increase in earned income.

Deduct from income medical expenses incurred by the individual or family or financially responsible relatives that are not subject to payment by a third party.

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Attachment B State Public Notice Documentation

Documentation of the state public process are in separate PDF files.